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Fifteenth annual progress report on the implementation of the capital master plan

Report of the Secretary-General

Summary

The fifteenth annual progress report on the implementation of the capital master plan is submitted pursuant to section II, paragraph 34, of General Assembly resolution 57/292. The report provides an update on the status of the project since the issuance of the fourteenth annual progress report (A/71/309).

The renovation of the Headquarters complex was substantially completed by September 2014 for the opening of the sixty-ninth session of the General Assembly, and all the buildings within the scope of the project were occupied and functional from that time.

From July 2016 until the time of preparation of the present report, the Office of Central Support Services continued with the implementation of post-renovation, commissioning and punch-list corrective activities and administrative tasks in support of the close-out of the project.

As at August 2017, all construction work for all scopes of the capital master plan project and its subcomponents, including the interim solutions and post-renovation activities, had been completed and achieved the status of final completion. The remaining activities are the administrative close-out of the contracts, reconciliation of accounts and payment of invoices, which are expected to be concluded by 31 December 2017.

The cost of all construction and close-out activities is being met as planned from within the existing approved resources of the capital master plan project. The financial position of the project remains consistent with the projection presented in the fourteenth annual progress report.

The General Assembly is requested to take note of the present report and to request the Secretary-General to submit the sixteenth and final progress report at the main part of its seventy-third session.

* A/72/150.

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I. Project status

1. The capital master plan was the largest and most comprehensive construction and renovation project undertaken by the United Nations. The project met its objectives of honouring and preserving the original historic design of the Headquarters complex, while at the same time modernizing the facilities to meet current accessibility, safety, security and technological standards.

2. Planning for the capital master plan began in 1999, the Office of the Capital Master Plan was created in 2002 and the construction phase of the project spanned the period from 2008 to 2014.

3. In July 2015, the Office of the Capital Master Plan was closed and the responsibility for all remaining activities was assumed by the Office of Central Support Services.

4. The General Assembly requested the Secretary-General to submit annual reports on the progress, schedule, projected cost to completion and financial status of the capital master plan. The present report is the fifteenth such report to the Assembly.

5. Since the issuance of the fourteenth annual progress report (A/71/309), progress has been made with respect to the construction and administrative close-out activities as outlined below.

6. The demolition and the removal of the temporary North Lawn Building were concluded in July 2016, and the subsequent construction, punch-list, commissioning and corrective work relating to the landscaping of the North Lawn were completed and achieved the status of final completion in August 2017.

7. The landscaping of the North Lawn included planting 197 new trees and replacing 110 trees that had been removed for the construction of the temporary North Lawn Building. Approximately 20 per cent of the newly planted trees were cherry and pear trees. A new grass lawn was planted with perennial flower meadows at the northern portion of the lawn. The roads and pathways encircling the rose garden and North Lawn were repaved with refurbished drainage.

8. The sculptures and gifts affected by the construction of the temporary North Lawn Building were restored and returned to their former locations. The International Olympic Committee donated new recreation pavilions, a basketball half court and a shuffleboard court, which were installed among trees at the north end of the grounds. As part of that donation, a small gym will be installed in the second basement area of the North Lawn Building.

9. The construction, punch-list, commissioning and corrective work and the security-related work at the 42nd and 48th Street entrances were completed and achieved the status of final completion in August 2017.

10. As part of the successfully completed security upgrades at the 42nd and 48th Street entrances to the Service Drive, clearly delineated and separate approaches to the Headquarters complex were established at each location. At the 42nd Street entrance, vehicle entry is permitted for delegates and staff through a dedicated lane on 42nd Street, where the security post has been equipped with state-of-the-art vehicular screening and barriers.

11. The 48th Street entrance was successfully re-engineered and reconstructed to accommodate three new loading bays at the street level, thereby keeping all external delivery trucks outside the Headquarters complex. Inside one bay, a new security post and screening station were installed and are complemented by a new mail

screening facility. New security cameras were installed, and traffic lights were refurbished. These combined upgrades have brought the level of security at Headquarters up to the standards of other domestic and international high-security facilities in accordance with the recommendations of the Department of Safety and Security.

12. The accounts associated with 23 of the 24 guaranteed maximum price contracts with the construction management company were reconciled and paid.

13. The accounts associated with the interim arrangements for the relocation of the staff and functions of the Dag Hammarskjöld Library Building and the South Annex Building, including the reconfiguration of the Dag Hammarskjöld Library Building and the construction of classrooms in the third basement area of the North Lawn Building and three new food service locations, were reconciled and paid.

14. As at 31 July 2017, the final projected cost of the capital master plan remained at $2,150.4 million, in line with the approved resources (excluding the renovation of the Dag Hammarskjöld Library Building and the South Annex Building, in accordance with General Assembly resolution 69/274). More details in this respect are provided in section V of the present report. At the time of reporting, over 99.9 per cent of the funds had been expended.

15. The capital master plan project has maintained the overall schedule reported in table 1 of the fourteenth annual progress report. The current status of the schedule is presented in table 1 of the present report.

Table 1
Projected schedule of the capital master plan

	As set out in A/62/364		*As set out in A/63/477*		*As set out in A/64/346*		*As set out in A/65/511*		*As set out in A/66/527*		*As set out in A/67/390*		*As set out in A/68/352*		*As set out in A/69/360*		*As set out in A/70/343*		*As set out in A/71/309*		*As set out in the present report*		
Activity	*Start*	*Complete*	*Start*	*Complete*	*Start*	*Complete*	*Start*	*Complete*	*Start*	*Complete*	*Start*	*Complete*	*Start*	*Complete*	*Start*	*Complete*	*Start*	*Complete*	*Start*	*Complete*	*Start*	*Complete*	*Status*
Construction of North Lawn Building	Early 2008	Mid-2009	Early 2008	Mid-2009	Mid-2008	Late 2009	Mid-2008	Late 2009	Mid-2008	Late 2009	Mid-2008	Late 2009	Mid-2008	Late 2009	Mid-2008	Late 2009	Mid-2008	Late 2009	Mid-2008	Late 2009	Mid-2008	Late 2009	Completed
Secretariat Building	Early 2009	Early 2012	Early 2009	Early 2012	Late 2009	Mid-2012	Early 2010	Mid-2012	Early 2010	Mid-2012	Early 2010	Mid-2012	Early 2010	Mid-2012	Early 2010	Mid-2012	Early 2010	Mid-2012	Early 2010	Mid-2012	Early 2010	Mid-2012	Completed
Conference Building	Mid-2009	Mid-2011	Mid-2009	Mid-2011	Late 2009	Late 2011	Early 2010	Early 2012	Early 2010	Late 2012	Early 2010	Late 2012	Early 2010	Early 2013	Early 2010	Early 2013	Early 2010	Early 2013	Early 2010	Early 2013	Early 2010	Early 2013	Completed
General Assembly Building	Mid-2011	Mid-2013	Mid-2011	Mid-2013	Late 2011	Late 2013	Early 2012	Late 2013	Early 2013	Mid-2014	Early 2013	Mid-2014	Mid-2013	Mid-2014	Mid-2013	Mid-2014	Mid-2013	Mid-2014	Mid-2013	Mid-2014	Mid-2013	Mid-2014	Completed
South Annex Building	Early 2011	Early 2012	Early 2011	Early 2012	Late 2011	Early 2013	Early 2012	Mid-2013	–	–	–	–	–	–	–	–	–	–	–	–			Suspended
Dag Hammarskjöld Library Building	Early 2012	Early 2013	Early 2012	Early 2013	Early 2013	Late 2013	Early 2012	Late 2013	–	–	–	–	–	–	–	–	–	–	–	–			Suspended
Completion of renovation of United Nations Headquarters	Early 2008	Mid-2013	Early 2008	Mid-2013	Late 2008	Late 2013	Mid-2008	Late 2013	Mid-2008	Mid-2014	Mid-2008	Mid-2014	Mid-2008	Late 2014	Late 2008	Late 2014	Late 2008	Late 2014	Late 2008	Late 2014	Late 2008	Late 2014	Completed
Closure of the Office of the Capital Master Plan and handover to the Office of Central Support Services															–	Mid-2015		Mid-2015		July 2015		July 2015	Completed
Demolition of temporary North Lawn Conference Building															Early 2015	Late 2015	Late 2015	Late 2016	Late 2015	Mid-2016	Mid-2016	Mid-2016	Completed
Landscaping of North Lawn															Early 2015	Late 2015	Late 2015	Late 2016	Late 2015	Late 2016[a]	Late 2016	Mid-2017[b]	Completed
Security-related work at 42nd and 48th Streets															Early 2015	Late 2016	Late 2015	Late 2016	Late 2015	Late 2016[a]	Late 2016	Mid-2017[b]	Completed

[a] Substantial completion.
[b] Final completion.

II. Remaining activities

16. At the time of the submission of the present report, all construction work had been completed for all scopes and subcomponents of the capital master plan project and all invoices and accounts had been reconciled and paid with the exception of the five following contracts, the final payments for which are expected to be paid by December 2017:

(a) Coordination agreement with the construction management company;

(b) Construction work in relation to the demolition and landscaping work;

(c) Construction work in connection with the security-related work at the 42nd and 48th Street entrances;

(d) Project management company;

(e) Design and engineering company.

III. Implementation of the recommendations of the Board of Auditors

17. The Board of Auditors continued its audit work following the issuance of the previous annual progress report. The Board audited the capital master plan project from 13 March to 7 April 2017.

18. In its annual report on the audit of the capital master plan for the 12-month period ended 31 December 2016 (A/72/5 (Vol. V)), the Board concluded that: "The capital master plan is in its final phase after nearly 15 years and an investment of $2,309.3 million. All major procurement actions have been finalized, major construction works are complete, residual works are in progress and the administrative close-out of completed contracts continues".

19. In the context of the management of the campus, the Board noted that the Administration had advised that, owing to staffing and budget constraints, the proposed frequency of some of the maintenance actions had been reduced. The Board observed that the human resources available for basic preventive maintenance were inadequate and that internal controls with respect to the safeguarding of assets should be improved.

20. In the context of long-term asset management, the Board noted that the United Nations planned to move away from its traditional reactive approach towards a proactive maintenance approach. The Board expressed its view that there was a need to expedite efforts to optimize the maintenance approach so as to ensure that the United Nations would derive maximum value from the investments in its capital assets.

21. In the context of maximizing the benefits of the renovated campus, the Board recognized that there had been a significant reduction in energy consumption and observed that there was scope for further improving efficiency gains.

22. In the context of the protection of assets, the Board recommended that the Administration take steps to strengthen the internal controls for the protection of assets and their proper recording and monitoring.

23. With respect to accessibility, the Board noted that, under the capital master plan, accessibility elements had been implemented and that the effectiveness of those measures should be validated by the users.

24. The Board indicated that, of the 12 outstanding recommendations for the period ended 31 December 2015, 2 (17 per cent) had been implemented and 10 (83 per cent) were under implementation.

25. The Board's recommendations for the period ended 31 December 2016 were focused on six primary areas:

(a) Operationalizing the Umoja plant maintenance module;

(b) Strengthening internal controls for the protection of assets;

(c) Improving the reporting of the Energy Dashboard and Reporting Tool;[1]

(d) Improving energy efficiency;

(e) Assessing the effectiveness of the accessibility features;

(f) Monitoring productivity gains while ensuring a reduction in space requirements.

26. The Secretariat accepted all the recommendations of the Board and has committed itself to their full implementation.

IV. Benefits of the capital master plan

27. The thirteenth and fourteenth progress reports included comprehensive information on the benefits that the capital master plan had delivered in line with the relevant resolutions and the mandate from Member States.

28. The capital master plan addressed numerous deficiencies that had been left untreated and had accumulated over the years. The plan provided a newly renovated facility that is accessible to all individuals, energy efficient, free of hazardous materials and compliant with the building, fire and safety codes of the host city and that meets all reasonable, modern-day security requirements.

29. The fourteenth progress report included additional details on the reduction in energy consumption and monetary savings. Updated data on energy consumption are provided in table 2.

Table 2
Comparison of energy consumption between 2006 and 2017

		Usage (kBTU)[a]		
	Period	*Steam*	*Electricity*	*Total*
Pre-capital master plan (2006-2007)	2006	400 517 070 000	151 946 050	**400 669 016 050**
	2007	543 788 070 000	154 376 554	**543 942 446 554**
Post-capital master plan (2015)	2015	95 515 200 000	145 413 981	**95 660 613 981**
	Percentage reduction (2006 to 2015)	76.15	4.30	**76.12**
Post-capital master plan (2016)	2016	95 477 911 500	131 072 662	**95 608 984 162**
	Percentage reduction (2006 to 2016)	76.16	13.74	**76.14**

[1] The Energy Dashboard and Reporting Tool is used to monitor energy consumption and report on energy efficiency.

	Period	Usage (kBTU)[a]		
		Steam	Electricity	Total
Post-capital master plan (2017)	January to June 2017	54 637 440 000	63 135 648	**54 700 575 648**
	Estimated from July to December 2017	43 970 244 000	66 342 928	**44 036 586 928**
	Total estimated in 2017	98 607 684 000	129 478 576	**98 737 162 576**
	Percentage reduction (2006 to 2017)	75.38	14.79	**75.36**

[a] Thousand British thermal units.

30. In 2015, following the implementation of the capital master plan, the total energy consumption was reduced substantially, by more than 75 per cent compared with the total consumption in 2006, prior to the plan's implementation. The reduction in energy consumption was consistent and a similar reduction was achieved in 2016 and 2017.

31. With respect to monetary benefits and savings, there is no linear correlation between the reduction in energy consumption and cost savings, owing to increases in the unit costs of energy and the difference in the rates of electricity and steam.

32. Furthermore, while the newly renovated buildings require less overall maintenance and repair, the newly installed sophisticated systems and equipment require more consistent and costly servicing. In order to maintain the new systems, high levels of technical expertise are required, which the Secretariat does not possess in-house. There is, therefore, a need to retain the services of specialized commercial vendors. In addition, as stipulated in the vendor operations and maintenance manuals, the new systems require more robust and frequent maintenance checks on a regular basis, not only when there is a failure and/or malfunction.

33. Updated data on the costs and monetary savings are provided in table 3.

Table 3
Cost of utilities from 2006 to 2017

(United States dollars)

Description	*2006-2007*	*2008-2009*	*2010-2011*	*2012-2013*	*2014-2015*	*2016*	*2017 estimated*
Electricity	14 536 322	17 301 357	19 337 005	17 501 881	15 983 467	7 150 014	6 162 060
Steam	18 696 194	14 592 256	9 007 534	5 261 620	4 424 149	1 787 482	2 471 200
Water	2 604 228	2 010 285	1 815 000	1 186 000	1 232 292	478 366	591 908
Gas and other utilities	65 739	52 871	230 513	86 598	140 600	24 769	35 350
Total	**35 902 483**	**33 956 769**	**30 390 051**	**24 036 099**	**21 780 508**	**9 440 631**	**9 260 518**

34. The actual cost of all utilities (electricity, steam, water, gas and other) of the Headquarters complex in New York has been reduced by more than 39 per cent ($14.1 million) over the past five bienniums, from $35.9 million to $21.8 million, as shown in table 3. The cost is expected to be reduced further in the present biennium 2016-2017, to about $18.7 million. Such additional savings of approximately $3 million represent an incremental 14 per cent reduction compared with the

previous biennium and an overall reduction of 47.9 per cent compared with the biennium 2006-2007.

35. It should be noted in this regard that the resources for utilities approved by the General Assembly in its resolution 70/247 for the biennium 2016-2017 amount to $14.8 million, representing a reduction of 42 per cent compared with the previous biennium.

V. Financial status of the capital master plan

A. Status of assessments and sources of funding for the capital master plan

36. The total approved funding for the capital master plan project amounts to $2,150.4 million, comprising appropriations for the original project scope of $1,876.7 million, donations of $14.3 million, interest income and the plan's working capital reserve, amounting to $159.4 million and funding of $100.0 million for the enhanced security upgrades.

37. All approved funding in the amount of $2,150.4 million has been applied in full to the renovation activities so as to meet contractual obligations as they fall due for payment.

38. Table 4 compares the total approved funding for the capital master plan project with the expected cost for the completion of the project.

Table 4
Comparison of the funding for the capital master plan project and the expected cost to completion, as at 31 July 2017

(Millions of United States dollars)

Description	*Amount*	*References*
Total appropriations from 2004 to 2011	1 876.7	Resolutions 57/292, 59/295, 60/248, 60/256, 60/282, 61/251, 62/87 and 64/228
Voluntary contributions	14.3	Received under the capital master plan donations programme
Use of interest income and the capital master plan working capital reserve	159.4	Resolutions 66/258, 67/246 and 68/247 A
Funding for the enhanced security upgrades	100.0	Contribution by the host country
Total funding available	**2 150.4**	
Project cost of original renovation (excluding Dag Hammarskjöld Library Building and the South Annex Building) and scope requested under the donations programme	2 050.4	
Cost of enhanced security upgrades	100.0	
Total project cost to completion	**2 150.4**	

B. Interest income, working capital reserve and cash balance

39. The estimated amount of interest to be accrued on the balance of the capital master plan funds is expected to be $114.4 million by the time of the financial close-out of the project. In accordance with section IV of General Assembly

resolution 68/247 A, the balance of the interest income and the working capital reserve is applied to the remaining cash balance of the plan.

C. Capital master plan project expenditure and requirements for the remaining project period

40. The estimated final cost of the capital master plan project remains unchanged at $2,150.4 million. As at 31 July 2017, cumulative expenditure incurred amounted to $2,148.1 million, indicating that 99.9 per cent of the estimated cost to completion has been expended and committed. The latest status of the plan's expenditure and remaining requirements is summarized in table 5.

Table 5
Capital master plan project expenditure and requirements until completion, as at 31 July 2017
(Thousands of United States dollars)

	Expenditure	*Remaining requirements*	
Description	*From project inception to June 2017*	*From July to December 2017*	*Total*
Capital master plan project			
Design contractual services	168 828.50	–	168 828.50
Staff costs for the Office of the Capital Master Plan	33 795.55	115.05	33 910.60
Support staff costs	15 903.50	–	15 903.50
Operating and other costs	13 619 30	1 180.00	14 799.30
Programme management and other consultants	56 172.70	–	56 172.70
Construction and pre-construction	1 413 331.70	1 017.10	1 414 348.80
Swing space costs (including rent)	554 600.80	–	554 600.80
Subtotal	**2 256 252.05**	**2 312.15**	**2 258 564.20**
Prior-period adjustments	9 204.00	–	9 204.00
Adjusted project expenditure	**2 265 456.05**	**2 312.15**	**2 267 768.20**
Savings from cancellation of obligations	(217 385.20)	–	(217 385.20)
Subtotal	**2 048 070.85**	**2 312.15**	**2 050 383.00**
Enhanced security upgrade project	100 000.00	–	100 000.00
Total, capital master plan project expenditure	**2 148 070.85**	**2 312.15**	**2 150 383.00**

41. Table 5 shows that the requirements for the project from July to December 2017 are estimated at $2,312,150. The remaining requirements include the following:

(a) A staff member for a six-month period for the management and administration of the remaining activities ($115,050);

(b) Operating and other costs consisting of outside legal counsel ($1,000,000) and the cost of the Board of Auditors ($180,000);

(c) Work on the 42nd and 48th Street entrances ($1,017,100).

42. No potential increases in project costs or changes in the volume and scope of the work are currently expected.

43. The total cost of the interim solutions and residual construction work remains in accordance with the forecast of $49 million.

44. The cost of the residual work (demolition and landscaping, and security-related work at the 42nd and 48th Street entrances) increased by $1.2 million, from $36.1 million to $37.3 million. The increase was offset internally by the savings made as a result of the completion of the interim solutions. The cost breakdown for these subcomponents is summarized in table 6.

Table 6
Cost breakdown of interim solutions and residual work
(United States dollars)

Description	*Estimated cost in 2015*	*Estimated cost in 2016*	*Estimated cost in 2017*
Interim solutions			
Three new food services	5 000 000	4 300 000	3 600 000
Dag Hammarskjöld Library Building	4 000 000	3 100 000	2 800 000
Classrooms in the third basement area of the North Lawn Building	5 000 000	5 100 000	5 300 000
Subtotal, interim solutions	**14 000 000**	**12 500 000**	**11 700 000**
Residual work			
Demolition and landscaping	20 000 000	19 000 000	19 400 000
42nd and 48th Street entrances	15 000 000	17 100 000	17 900 000
Subtotal, residual work	**35 000 000**	**36 100 000**	**37 300 000**
Total	**49 000 000**	**48 600 000**	**49 000 000**

VI. Arbitration

45. The Organization is a party to two ongoing arbitrations relating to the capital master plan that were brought against the construction manager, Skanska, by its subcontractors.

46. The first arbitration arose as a result of an arbitration brought against Skanska by its electrical subcontractor, in which the subcontractor claims that it is owed tens of millions of dollars for the work it performed under several contracts with Skanska as part of the capital master plan. Although Skanska has denied the subcontractor's claims in their entirety, Skanska itself claims that if it were found to owe any additional sums to its subcontractor, the liability for such sums should be passed on to the United Nations. The United Nations disputes Skanska's characterization of its rights under the relevant contracts, and the dispute is currently before an arbitral panel, as required under such contracts. Formal proceedings before the arbitral tribunal have only recently begun and are procedurally complicated. The Office of Legal Affairs, with the help of outside counsel, is vigorously defending the interests of the Organization in this matter.

47. The second arbitration arose as a result of an arbitration brought against Skanska by its mechanical systems contractor, in which the subcontractor claims that it is owed in excess of $4 million for work it performed under several contracts with Skanska as part of the capital master plan. Although Skanska has denied the

subcontractor's claims, Skanska itself claims that if it were found to owe any additional sums to its subcontractor, the liability for such sums should be passed on to the United Nations.

48. The United Nations disputes Skanska's characterization of its rights under the relevant contracts. An arbitral tribunal has not yet been formed. The Office of Legal Affairs, with the help of outside counsel, is vigorously defending the interests of the Organization in this matter.

VII. Associated costs and the secondary data centre

49. The overall associated cost expenditure amounts to $139.7 million. The cost of the secondary data centre amounts to $19.2 million.

50. The associated costs and the cost of the secondary data centre have been funded from $4.2 million relating to the secondary data centre from the support account for peacekeeping operations and $154.7 million in accordance with section VIII, paragraph 16, of General Assembly resolution 69/274.

VIII. Consolidated expenditure and requirements

51. The final consolidated requirements of the capital master plan amount to $2,305.1 million, or $2,309.3 million if the portion funded by the support account for peacekeeping operations is taken into consideration. Details are provided in table 7.

Table 7
Consolidated expenditure as at 31 July 2017 and projected requirements until December 2017

(Millions of United States dollars)

Description	*From project inception to June 2017*	*From July to December 2017*	*Total*
Project costs			
Capital master plan project	2 048.1	2.3	2 050.4
Enhanced security upgrade	100.0	–	100.0
Subtotal	**2 148.1**	**2.3**	**2 150.4**
Non-project costs			
Associated costs	139.7	–	139.7
Secondary data centre	15.0	–	15.0
Subtotal	**154.7**	**–**	**154.7**
Consolidated total	**2 302.8**	**2.3**	**2 305.1**
Portion of secondary data centre funded from the support account for peacekeeping operations	4.2	–	4.2
Consolidated total, including portion funded from the support account for peacekeeping operations	**2 307.0**	**2.3**	**2 309.3**

52. Financial statements regarding the project activities and expenditure for the 2017 financial period will be completed, consolidated and finalized in March 2018

by the Office of Programme Planning, Budget and Accounts, following established financial reporting processes, in compliance with the Financial Regulations and Rules of the United Nations. It is anticipated that the financial close-out of the capital master plan project will be conducted in 2017 and 2018, following which it is the intention of the Secretary-General to submit a sixteenth and final report to the General Assembly. Should there be any residual balance or savings from the project funds, the amounts will be reported in the final financial statements and a proposal on how the amounts may be returned to Member States will be included in the sixteenth and final report of the Secretary-General.

IX. Actions to be taken by the General Assembly

53. **The Secretary-General recommends that the General Assembly:**

(a) **Note the progress made since the issuance of the fourteenth annual progress report;**

(b) **Request the Secretary-General to submit the sixteenth and final progress report of the project and the aggregate cost to completion at the main part of the seventy-third session of the General Assembly.**